

Message Text

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ACTION EB-07

INFO OCT-01 AF-08 ARA-10 EUR-12 ISO-00 PA-02 PRS-01 AGRE-00
AID-05 CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 USIA-15
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FM AMEMBASSY LONDON
TO SECSTATE WASHDC 9043
INFO AMEMBASSY BRASILIA
AMCONSUL SAO PAULO
AMCONSUL RIO DE JANEIRO
USMISSION EC BRUSSELS
AMEMBASSY SAN SALVADOR
AMEMBASSY NAIROBI

UNCLAS LONDON 20717

E.O. 11652: N/A
TAGS: EPAP
SUBJECT: COFFEE -- PRESS TREATMENT OF HIGH COFFEE
PRICES

1. HIGH COFFEE PRICES CONTINUE TO RECEIVE FAIRLY
SUBSTANTIAL PRESS TREATMENT AS LONDON ROBUSTA FUTURES
REACH NEW PEAKS. THE FINANCIAL TIMES ON BOTH DECEMBER
21 AND 22 CARRIED MAJOR ARTICLES ON ITS COMMODITIES
PAGE. IN A DECEMBER 21 ARTICLE BY COMMODITIES EDITOR
JOHN EDWARDS, THE FT NOTED THE MARCH POSITION CLOSED
DECEMBER 20 POUNDS 52.5 UP, AT POUNDS 27L3 A TONNE,
REFLECTING THE CONTINUED RISE IN NEW YORK. EDWARDS
NOTED THAT PHYSICAL PURCHASES IN EUROPE ARE REPORTED
SLUGGISH, BUT THAT US ROASTERS, ACCORDING TO A LOCAL
DEALER, ARE "APPARENTLY CONTINUING TO BUY UP ANYTHING
IN SIGHT."

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2. THE DECEMBER 22 FT ARTICLE REPORTED A FURTHER
INCREASE ON DECEMBER 21 TO POUNDS 2886.5 A TONNE FOR
MARCH. THIS PRICE "EXPLOSION" WAS DESCRIBED AS
FOLLOWING INCREASES IN BRAZIL'S EXPORT TAX. THE FUTURES
PRICE. HOWEVER, ACCORDING TO THE FT, DID NOT FULLY

REFLECT THE BRAZIL TAX RISE. THE ARTICLE NOTES THAT AT PRESENT LEVELS COFFEE IN REAL TERMS HAS NOW SURPASSED ITS 1954 PEAK. IN STERLING TERMS IT POINTS OUT NEARBY DELIVERY COFFEE IS 265 PER CENT DEARER THAN IT WAS AT THE BEGINNING OF THIS YEAR AND 450 PER CENT ABOVE THE PRE-FROST LEVEL.

3. COMMENTING SPECIFICALLY ON THE BRAZILIAN EXPORT TAX INCREASE, THE ARTICLE NOTES THAT DESPITE EFFORTS BY THE BRAZILIAN COFFEE INSTITUTE (IBC) TO RESTRICT EXPORTS TO 12 MILLION BAGS IN 1976 (TO KEEP FROM TOTALLY EXHAUSTING STOCKS) THIS TARGET HAS ALREADY BEEN EXCEEDED, WITH ONE SOURCE ESTIMATING FINAL FIGURES WILL SHOW A FIGURE CLOSER TO 17 MILLION BAGS.

4. THE ARTICLE CONCLUDES WITH A ROUND UP OF THE AFRICAN COFFEE SITUATION, NOTING THAT ANOTHER "BULLISH" FACTOR WAS A REPORT CIRCULATING OF A UGANDAN ROBUSTA SALE AT 206 US CENTS.

5. THE GUARDIAN OF DECEMBER 20 ALSO CARRIED AN ARTICLE ON HIGHER COFFEE PRICES. IT NOTED PARTICULARLY THE PRICE INCREASES IN ROBUSTA, WHICH IS THE MAINSTAY OF MOST COUNTRIES SOLUBLE COFFEE INDUSTRIES. (NOTE: MOST COFFEE SOLD ON THE RETAIL MARKET IN THE UK IS SOLUBLE). IT ALSO NOTED THAT THE AVERAGE SHOP PRICE OF INSTANT COFFEE HAS BEEN UP BY ABOUT 80 PER CENT SINCE THE BEGINNING OF THE YEAR.

6. THE ARTICLE FURTHER NOTED THAT DEMAND, TOO, IS UNCLASSIFIED

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STANDING UP SURPRISINGLY WELL DESPITE PRICE INCREASES. UK CONSUMPTION FOR 1976 IS LIKELY TO BE LITTLE CHANGED FROM THE 1975 FIGURE. THIS HAS BEEN EXPLAINED BY THE TRADE AS A RESULT OF PRICE CONTROLS, AS IN THE UK WHERE IT TOOK SIX MONTHS FOR THE RISE IN PRICES AFTER JULY 1975 FROSTS TO SHOW UP AT RETAIL LEVEL.

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